

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jerry Allen

SUBJECT: SEE BELOW

DATE: August 25, 2004

Approved

Kay Winer

Date

9/1/04

COUNCIL DISTRICT: City-Wide

**SUBJECT: ARTS GRANT ELIGIBILITY EXEMPTION: YOUNG AUDIENCES OF
NORTHERN CALIFORNIA**

RECOMMENDATION

Adoption of a resolution approving a one-time exemption, after the fact, from certain eligibility requirements of the Operating Grant arts grant program for Young Audiences of Northern California (YANC), the legal successor of Young Audiences of San Jose & Silicon Valley (YASJSV), and directing the City Manager to negotiate and execute a grant agreement with YANC in the amount of \$30,009, to allow the FY2004-05 Operating Grant award that the Council approved in that amount for YASJSV on June 22, 2004, to be made to YANC, with the requirement that the grant be used to support the provision of programs and services in San José.

BACKGROUND

On May 17, 2004, Young Audiences of San Jose & Silicon Valley (YASJSV), an arts grantee of the City of San José, merged with Young Audiences of the Bay Area (YABA), its San Francisco-based sister organization. The merger, announced in June, concluded 10 months of discussion prompted by increasingly harsh financial challenges that threatened the organization's sustainability, according to YASJSV. The merged organization has taken the name, Young Audiences of Northern California (YANC), and offers programs and services in a 14-county combined service area that includes San José.

Office of Cultural Affairs (OCA) staff, in consultation with the City Attorney's office, reviewed the merger agreement, the articles of incorporation and the by-laws of YANC. The review indicated that YANC does not meet a principal Operating Grant eligibility requirement:

The organization's corporate headquarters and principal place of business [must be] located in San José ...

Therefore, YANC cannot be assigned the \$30,009 grant awarded to YASJSV for FY2004-05, even though it is YASJSV's legal successor, without Council action granting an exemption to the above-stated eligibility requirement.

ANALYSIS

The possibility of a merger was one of several options under consideration when YASJSV consulted informally with OCA staff prior to filing its FY2004-05 Operating Grant application. At the time, it was not clear that (1) a merger would be the option of choice, and (2) the merger partner would be YABA (several potential merger partners were still being discussed). It also appeared that final decisions regarding YASJSV's future would not be made until well into FY2004-05. However, movement towards a merger with YABA proceeded more rapidly than anticipated, resulting in the current dilemma regarding the City's grant award.

The merger appears to have been a careful and deliberate response to mounting resource challenges. Initial investigations were undertaken with the support of a grant from the William & Flora Hewlett Foundation, which had sufficient confidence in its results to make a second grant to support the implementation of the merger itself.

Although the full boards of both merger partners sit as the board of directors of the new organization, it is apparent from merger documents that YABA is the dominant partner. However, as part of the agreement between the two boards, YANC will retain an emphasis on providing programs and services in the greater San José area, and the organization will open a new office at the headquarters of the Santa Clara County Office of Education, located in San José, later this year. According to YANC, services in this area should eventually increase from the levels provided recently by YASJSV. (According to YASJSV, its 200 performances, 8 workshops and 32 artist residences [placement of artists in schools] reached 65,000 in San José.)

Under these unusual circumstances, therefore, it appears appropriate that the City should assign the already approved FY2004-05 Operating Grant award to YANC in order to facilitate its programs and services in San José.

PUBLIC OUTREACH

On July 28, 2004, this matter was discussed at the Arts Commission's Programs Committee, when it heard from members of the public, including, but not limited to, several representatives of YANC formerly with YASJSV. On August 11, 2004, the Arts Commission recommended that City Council allow the one-time extension. Both meetings were publicly noticed.

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COORDINATION

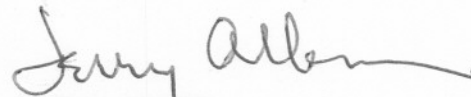
This memorandum has been coordinated with the City Attorney's Office and the Budget Office.

BUDGET REFERENCE

Fund #	Appn #	Appn Name	RC #	Total Appn	Amt. For Contract	2004-2005 Proposed Budget Page	Last Budget Action
461	0096	Cultural Grants		\$2,256,886	\$30,009	XI-72	June 22, 2004
		Total		\$2,256,886	\$30,009		

CEQA

Not a project.



JERRY ALLEN

Deputy Director, Office of Cultural Affairs